Economic and
Tourism Industry Outlook 2018
KResearch expects that the Thai economy may have advanced 3.9% in 2017 on better-than-expected growth seen in exports and thriving tourism.

For 2018, the Thai economy will likely lean toward 3.5–4.5% growth, driven by public investment.

However, close attention must be paid to whether the world’s leading economies will bounce back, or not amid numerous challenges, including tight monetary policies of various central banks, especially the US Fed, Brexit negotiations and tensions on the Korean Peninsula. Meanwhile, the Thai private sector may face risks associated with weak purchasing power and uncertainty toward agricultural produce prices.
2018 Outlook for Thai Economy

The Thai economy will be supported by public and private investment with exports and tourism continuing to be key growth engines.

**Drivers**

- **Public investment** because more public projects are scheduled to begin construction in 2018.
- **Private investment** should begin to recover with the government policy.
- **Exports and tourism** continue to be key growth engines, though they may slow in 2018.
- **Monetary and fiscal measures** will likely help sustain economic growth.

**Challenges**

- **Eroding purchasing power at grass roots** as agricultural produce prices will likely decline amid hefty household debt.
- **Political uncertainty** may undermine investor confidence.
- **Geo-political tensions** on the Korean Peninsula may persist in the coming years.
- **Monetary policy normalization of leading central banks** may squeeze liquidity in financial systems and steepen volatility in international capital movements.
Persistent Volatility in Thai Baht

• KBank expects that the Baht may strengthen during 1Q18 before softening over the remainder of 2018.

• However, businesses should monitor other factors affecting the US Dollar versus Thai Baht, including the Fed’s monetary policy normalization, balance sheet reduction and US tax reform.
## Regional Currency Movement

<table>
<thead>
<tr>
<th>Morning Spot</th>
<th>Closing rates 1-Feb-18</th>
<th>Closing rates 31-Jan-18</th>
<th>Daily Change %</th>
<th>Consensus forecast 1Q2018</th>
<th>Consensus forecast 2Q2018</th>
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<tbody>
<tr>
<td>USD/THB**</td>
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<td>31.31</td>
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</table>

Source: Bloomberg and KBank**
Economic Issues Affecting Travel–Related Businesses

• An economic recovery should shore up consumer confidence. Hefty household debt is a major impediment to traveling.

• A strong Baht projected for 1H18 should be a boon for the outbound tourism market.
Tourism Outlook 2018
Tourism Industry: Thailand’s Inbound Tourism Market Will Continue to Grow in 2018

The number of international tourist arrivals to Thailand may reach 37.8 million in 2018, generating THB1.99 trillion in revenue.

No. of International Tourist Arrivals in 2017

35.4 million, up 8.8%

International Tourist Arrivals and Tourism Revenues

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016R</th>
<th>2017E</th>
<th>2018F</th>
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<tbody>
<tr>
<td>International tourists (million)</td>
<td>29.92</td>
<td>32.53</td>
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<td>Change (%Y-o-Y)</td>
<td>20.6</td>
<td>8.7</td>
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<td>Tourism revenues (trillion Baht)</td>
<td>1.46</td>
<td>1.63</td>
<td>1.82</td>
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<tr>
<td>Change (%Y-o-Y)</td>
<td>23.3</td>
<td>12.1</td>
<td>11.7</td>
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</table>

In 2017, the inbound tourism market may have grown 8.8% to a total of 35.4 million tourists, supported by the recovery in the Chinese market with estimated 9.81 million Chinese tourist arrivals in Thailand in 2017.

In 2018, around 37.8 million international tourists, up 7% over 2017, are expected to visit Thailand, driven by an expansion of new international routes particularly from Thailand to secondary cities in China, among others.
Tourism Industry: Domestic Travel

• In 2017, it is expected that Thais may have undertaken perhaps 156.2 million domestic trips and domestic travel spending may reach some THB930 billion.

• For 2018, Thais will likely make 165.4 million domestic trips and domestic travel spending may reach about THB990 billion.

Measures to promote tourism in 55 secondary provinces
- Up to THB15,000 in travel expenses such as those paid to travel agencies, hotels and home stays can be used for personal income tax deductions.
- Companies can use seminar, lodging and traveling expenses in 55 secondary provinces for 100% corporate income tax deductions, effective January 1 – December 31, 2018.
Tourism Industry: Thailand’s Outbound Tourism Market Will Continue to Grow in 2018

No. of Thai Outbound Tourists Projected to Reach 10 Million in 2018

- In 2018, it is expected that the number of Thai tourists travelling abroad will increase steadily.
- Competition in the outbound tourism market has become intense again after the ICAO has removed Thailand’s red flag status o its website.
- Japan is a top holiday destination for Thais. About 987,000 Thais visited Japan in 2017 and that number is projected to top 1.1 million in 2018.
Tourism Industry: Thailand’s Outbound Tourism Will Grow Steadily in 2018

The Number of Outbound Tourists Will Likely Reach 10 Million in 2018

- In 2018, the number of outbound tourists will grow steadily and competition in the outbound tourism market will become intense again because the ICAO has removed Thailand’s red flag status on its website.
Thai outbound tourists prefer Southeast Asia, accounting for 85.0% of all Thais traveling abroad.
Although many Thais travel to Malaysia, the number has declined steadily. The number of Thais visiting Singapore, Vietnam and Myanmar, however, has grown favorably in recent years.

Japan is the most popular holiday destination for Thais. In 2017, the number of Thais traveling to Japan reach some 9.87 million and that figure is projected to hit 1.1–1.3 million for 2018.
The number of Thais visiting the UK, Germany and France accounts for about 53.0% of all Thais travelling to Europe.

Other popular overseas holiday destinations for Thais include Australia and India.
• Thais often travel abroad on their own, thanks partly to the advancements in communications technologies and tourism-related applications, e.g. navigation, that help offer greater convenience for travelers.
Travel Format of Thai Outbound Tourists

More Thai Tourists Prefer to Travel Abroad via Group Tours

- Thais prefer to travel with group tours to avoid language barrier or high travel expenses in their preferred overseas holiday destinations.
Length of Stay of Thai Outbound Tourists

- Thais traveling overseas on their own often stay longer than those travelling with group tours.
Spending by Thai Outbound Tourists

In 2017, it is expected that spending by Thai tourists abroad may have reached perhaps USD9 billion or THB295 billion.

Spending by Thai Outbound Tourists by Service Type

Spending by Thai Outbound Tourists in Key Overseas Holiday Destinations
Marketing Channels for Outbound Thai Tourists

- Aside from traditional marketing channels, travel-related businesses, including hotels, airlines and tour agencies may consider using digital technologies, social media, websites and mobile apps to attract outbound Thai tourists.

Length in Making Overseas Travel Plan

- 38.5% Less than 1 month
- 34.7% 1-2 months
- 26.8% More than 2 months

Factors Affecting Travel Decision Making

- Family and Friends
- Online/social media
- Airlines / hotels promotion
- Travel Fair
- Others

Favorite Activities of Outbound Thai Tourists

- Shopping (60)
- Local food (55)
- Historical attraction (45)
- Local culture (40)
- Others

Note: Respondents can choose more than 1 answer.

Data Source: KResearch
In the digital era, where information technology plays an essential role in people’s travel planning, Thai travelers search for information and expedite related transactions, such as hotel booking, and share their travel experiences via social media platforms, i.e., Facebook, Instagram, Line, blogging or online applications that the operators create to give customers easy access via smartphone.
The Impact of Technologies on Thais toward Selecting Holiday Destinations

**Online media’s influence on Tourists**

- Facebook: 87.3%
- Instagram: 45.2%
- Pantip.com: 33.7%
- Operators Line: 22.9%
- Twitter: 15.1%
- YouTube: 15.1%
- Smartphone Application: 13.3%

Source: Kasikornresearch Center

**Online channels’ influence on tourists’ decisions to travel**

- Convenient to make booking and payment: 12.7%
- Don’t want to miss hip holiday hotspot: 35.5%
- Easier access to promotional information: 39.2%
- Interested in online ads: 47.0%
- Beautiful photos: 63.9%
- Learn about new destinations: 81.3%

Source: KResearch
Note: Respondents can choose more than 1 answer.

*KResearch’s poll found that Facebook is the most influential social media platform for people to make decisions about their getaway plans, followed by Instagram. The respondents said they have learned about new tourist hotspots from social media, which also serves as a tool for them to access related travel information.

* The online pictures and advertisements about tourist destinations also stir people’s appetite to travel, while some social media sites make them aware of operators’ marketing campaigns such as promotions and privileges for customers.
Gen Y is the most active demographic group in sharing their travel experiences on social media, followed by Gen X, who grew up during the technological transition.

More than 77 percent of respondents said that they have shared their travel experiences online, while 23 percent said they did not. Facebook is the most active social media platform that travelers use to share the photos from their journeys, followed by Instagram.
### Behavior of Thai Tourists versus Travel–Related Businesses

- Lifestyles of millennials should support tourism.
- Travel–related businesses should focus on digital–based marketing channels.
- There are many types of Thai tourists and they tend to follow international tourism trends, such as experiential travel – a form of tourism in which people focus on experiencing a particular country, its communities, history, culture and products.
- Outbound tour agencies may need to promote new tourist attractions and tourism products abroad to encourage repeat Thai tourists to travel to some countries, such as Japan. A poll conducted on Thai tourists travelling to Japan shows that 45% of them want to visit Japan again.
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